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Turkey

Sugar

Semi-Annual

2004

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Report Highlights:

MY 2005 sugar beet and sugar production both are estimated the same as programmed earlier in the beginning of the planting season by both Turkish Sugar Corporation and PANKOBIRLIK. The quota for cornstarch-based sweeteners was increased in MY 2004 to 351,000 MT again, but the announcement was late. PANKOBIRLIK constructed a new sugar factory in Cumra with the largest capacity in Turkey. It will also start to produce liquid beet sugar for the first time in Turkey. Liquid beet sugar production may offset part of the large demand for cornstarch-based sweeteners, since it will cost less than centrifugal sugar.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Ankara [TU1]
[TU]

Sugar beet production has developed well in most growing areas. Both sources from the Turkish Sugar Corporation (TSC) and PANKOBIRLIK are estimating beet production in MY 2005 to be the same as programmed in the beginning of the season. The weather has been good and beet yields per hectare should be good as well. As it was reported in the Annual Sugar Report, still sugar beet production is still estimated at about 14 MMT and centrifugal sugar production is estimated at about 1.99 MMT. The sugar beet harvest is continuing in most parts of the country, but has not yet started in the growing areas of the North Central and Eastern Anatolia Regions.

The quota for cornstarch based sweetener (CSS) producers was increased again from 234,000 MT to 351,000 MT (from 10 percent to 15 percent of the total production) in MY 2004. But this quota increase was announced late and the market was unable to meet with the large demand for CSS. In fact, total demand for CSS is estimated to be 500,000. The production will be about 150,000 MT short even with the increased quota. The food industry is replacing high-cost beet sugar when they cannot get CSS for their production. The quota increase for MY 2005 has not been announced yet.

There are five factories producing CSS with a total capacity of around 900,000 MT in Turkey. Two of these factories have one hundred percent international capital; two have one hundred percent domestic capital and one is a mixture of domestic and international capital. A total of 525,000 MT of corn is used to produce CSS in Turkey. This amount goes up to 825,000 MT with the production of corn-based starch.

CSS producers promised the GOT to use domestically grown corn in both MY 2004 and MY 2005. This decision was made because of two reasons; biotechnology and politics. The GOT is currently drafting biotechnology legislation that might be quite restrictive, especially for food products. To remain out of the fray, CSS users often require that the sweeteners which they purchase be produced from GMO-free corn, which forces CSS producers to use domestically grown corn even though domestically grown corn prices are higher than international corn prices. CSS producers are also trying to use more of the domestically grown corn for political reasons. CSS producers have faced significant and often inflammatory criticism from sugar beet farmers and processors. By procuring predominantly domestic corn, CSS producers have developed their own constituency of corn farmers. Please see TU4035 for an update on the growth in corn production in Turkey.

In May 2004, due to the high demand from the industry, the GOT announced an import quota for a total of 10,000 MT of CSS. Out of this total, 2,000 MT was for lactose syrup and 8,000 MT was for glucose, iso-glucose, and fructose. A total of 78 companies applied to receive a quota for 2,000 MT lactose syrup and 348 companies had applied for 8,000 MT of glucose, iso-glucose, and fructose. The duty for the quotas was reduced from 135 percent to 25 percent. Those industry representatives, who are exporting their products, however, are able to import CSS without paying any duty. Other imports can only be made by paying 135 percent duty.

There are a total of 30 factories to produce sugar from sugar beets in Turkey. Out of this total, 27 factories are owned and run by the TSC and the remaining three by PANKOBIRLIK. Adapazari factory of TSC is not operating since the major earthquake in the region in 1999. The Kutahya factory was transferred to the Privatization Administration to be privatized. A Turkish company gave the highest bid and bought 56 percent of its share, formerly owned by TSC. This sale will be finalized after the approval of the High Planning Board. However, there is no progress on the privatization of other TSC factories.

PANKOBIRLIK recently constructed another factory in Cumra, Konya. The Prime Minister made the inauguration of this factory on September 25, 2004. Cumra factory was

constructed without any financial assistance from the government at a cost about USD 150 million. The factory will have the largest capacity in Turkey, with daily capacity of 12,000 MT of sugar beet processing and 2,000 MT of sugar production. Cumra factory will process sugar beets of 60,000 farmers and also start to produce liquid beet sugar for the first time in Turkey starting from April 2005. The price of liquid beet sugar will be less than centrifugal sugar since 35 percent of it will be water. This may create an advantage for liquid sugar against centrifugal sugar and offset part of the price advantage that CSS has.

Ex-factory sugar selling prices of TSC were increased on June 18, 2004. This is the only price adjustment TSC made since April 2003. The new and old ex-factory prices follow:

Type of Sugar	June 18, 2004	April 1, 2003
Crystal Sugar	TL/Kg. (VAT included)	TL/Kg. (VAT included)
- 50 Kg. bags	1,695,600	1,512,000
Cube Sugar		
- 50 Kg. bags	1,841,400	1,642,680
- 1 Kg. boxes (25 boxes)	1,949,400	1,736,640

These prices are about USD 1,130 per MT, USD 1,225 per MT, and 1,300 per MT for crystal sugar and cube sugar in bags and boxes, respectively. The profit margin of the factories and the VAT are included in these prices.

In recent years, Iraq has been the major destination for Turkish sugar exports, followed by Georgia and Azerbaijan. Exports are expected to continue to decline since supply has been reduced and the GOT does not provide any subsidy for sugar exports.

Similarly, sugar stocks have declined because of the GOT policy to restrict the total amount sugar and CSS production.

Statistical Tables

PSD Table for Sugar Beets

Turkey Sugar Beets							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		09/2002		09/2003		09/2004	MM/YYYY
Area Planted	372	372	330	315	0	330	1000 HA
Area Harvested	370	370	330	314	0	330	1000 HA
Production	16396	16396	14100	12575	0	14000	1000 MT
TOTAL SUPPLY	16396	16396	14100	12575	0	14000	1000 MT
Utilization for Sugar	16396	16396	14100	12575	0	14000	1000 MT
Utilization for Alcohol	0	0	0	0	0	0	1000 MT
TOTAL UTILIZATION	16396	16396	14100	12575	0	14000	1000 MT

PSD Table for Centrifugal Sugar

Turkey Sugar, Centrifugal							
	2003 USDA Official [Old]	Revised Post Estimate [New]	2004 USDA Official [Old]	Estimate Post Estimate [New]	2005 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		09/2002		09/2003		09/2004	MM/YYYY
Beginning Stocks	434	434	730	730	565	465	1000 MT
Beet Sugar Production	2345	2345	1915	1915	1990	1990	1000 MT
Cane Sugar Production	0	0	0	0	0	0	1000 MT
TOTAL Sugar Production	2345	2345	1915	1915	1990	1990	1000 MT
Raw Imports	0	0	0	0	0	0	1000 MT
Refined Imp.(Raw Val)	1	1	0	0	0	0	1000 MT
TOTAL Imports	1	1	0	0	0	0	1000 MT
TOTAL SUPPLY	2780	2780	2645	2645	2555	2455	1000 MT
Raw Exports	0	0	0	0	0	0	1000 MT
Refined Exp.(Raw Val)	150	150	150	250	0	150	1000 MT
TOTAL EXPORTS	150	150	150	250	0	150	1000 MT
Human Dom. Consumption	1900	1900	1930	1930	0	0	1000 MT
Other Disappearance	0	0	0	0	0	0	1000 MT
Total Disappearance	1900	1900	1930	1930	1960	1960	1000 MT
Ending Stocks	730	730	565	465	595	345	1000 MT
TOTAL DISTRIBUTION	2780	2780	2645	2645	2555	2455	1000 MT

Export Trade Matrix for Sugar

Export Trade Matrix

Country Turkey

Commodity Sugar, Centrifugal

Time Period	Jan. - Dec.	Units:	Metric Tons
Exports for:	2003	Jan. - July	2004
U.S.	11	U.S.	18
Others		Others	
Iraq	96713	Iraq	68673
Georgia	72017	Georgia	15912
Azerbaijan	13591	United Arab Em.	7630
Northern Cyprus	5206	Azerbaijan	7309
Russia	2215	Northern Cyprus	6529
Germany	1445	Iran	4457
France	668	Germany	2853
Turkmenistan	435	Russia	1087
Israel	239	France	108
Yugoslavia	163	Lebanon	65
Total for Others	192692		114623
Others not Listed	8478		437
Grand Total	201181		115078

Import Trade Matrix for Sugar

Import Trade Matrix

Country Turkey

Commodity Sugar, Centrifugal

Time Period	Jan. - Dec.	Units:	Metric Tons
Imports for:	2003	Jan. - July	2004
U.S.	17	U.S.	9
Others		Others	
United Kingdom	443	France	33
Germany	80	Italy	30
France	78	United Kingdom	23
Italy	44	Spain	21
Spain	29	Germany	7
United Arab Em.	22		
Saudi Arabia	1		
Total for Others	697		114
Others not Listed	44		
Grand Total	758		123